



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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April 24, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **CITY OF PALMDALE CONTRACT - WORKFORCE INVESTMENT ACT
PROGRAMS**

We have conducted a program, fiscal and administrative contract review of City of Palmdale (Palmdale or Agency), a Workforce Investment Act (WIA) services provider.

Background

The Department of Community and Senior Services (DCSS) contracted with Palmdale, a government organization, to operate the WIA Adult and Dislocated Worker Programs in the Fifth District. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. Palmdale subsequently subcontracted with Goodwill Industries of Southern California (Goodwill) to provide direct program services. For Fiscal Year (FY) 2005-06, DCSS paid Palmdale \$360,430 of which \$345,000 was paid to Goodwill.

Purpose/Methodology

The purpose of the review was to determine whether Palmdale appropriately monitored Goodwill to ensure that Goodwill complied with the contract terms. We also evaluated Palmdale's compliance with the WIA Program requirements.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

Overall, the program participants indicated that the services provided by the subcontractor, Goodwill, met their expectations. In addition, Palmdale maintained sufficient controls to ensure revenue received from DCSS was appropriately deposited in their business account.

Palmdale did not provide documentation to support approximately \$99,000 paid to Goodwill in December 2005. Palmdale also did not effectively monitor Goodwill to ensure the subcontractor complied with the provisions of the County contract.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Palmdale on January 25, 2007. In their attached response, Palmdale concurred with our findings and recommendations. We also notified DCSS of the results of our review. We will follow-up in six months to verify that the recommendations noted in this report have been implemented.

We thank Palmdale for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Stephen H. Williams, City Manager, City of Palmdale
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
CITY OF PALMDALE
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether the City of Palmdale (Palmdale or Agency) effectively monitored Goodwill Industries of Southern California (Goodwill) to ensure that program services were provided to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We sampled 20 (29%) participants (10 from the adult program and 10 from the dislocated worker program) from a total of 70 participants that received services between July 2005 and May 2006 and reviewed their case files for documentation to confirm their eligibility for WIA program services. In addition, since the Department of Community and Senior Services (DCSS) also contracted with Goodwill to provide WIA services in the First and Fifth Districts, we verified that the participants served under Palmdale's contract did not receive the same program services under Goodwill's contract.

Results

The case files for two (10%) of the twenty program participants did not contain appropriate documentation to support the participants' eligibility to receive program services as required by WIA guidelines. Palmdale billed DCSS \$56 in direct supportive services provided to one of the two ineligible individuals. Palmdale also may have billed DCSS for other direct and indirect services for the two ineligible individuals. However, we were unable to determine the amount.

Subsequent to our review, City of Palmdale provided additional documentation to support the eligibility of one of the two ineligible participants.

Recommendations

Palmdale management:

- 1. Repay DCSS \$56 and for any other services incurred on behalf of the ineligible participant.**
- 2. Ensure that Goodwill maintains participant case files that contain appropriate documentation to determine the participants' eligibility for program services.**

BILLED SERVICES/CLIENT VERIFICATION**Objective**

Determine whether Palmdale effectively monitored Goodwill to ensure the subcontractor accurately reported the program services provided in accordance with WIA Program requirements. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (29%) program participants that received services during July 2005 through May 2006. We also interviewed 15 participants to confirm the services Palmdale billed to DCSS were provided.

Results

The 15 participants interviewed stated that the services they received met their expectations. However, Goodwill did not report on the Job Training Automation (JTA) system the program activities provided to two (10%) of the 20 participants as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Subsequent to our review, Goodwill updated the participants' program activities on the JTA system as required.

Recommendation

3. Palmdale management ensure that Goodwill update the JTA system to reflect the participants' activities.

CASH/REVENUE**Objective**

Determine whether Palmdale properly deposited the WIA revenue received from DCSS and accurately accounted for the funds in their accounting records.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's January 2006 bank reconciliation.

Results

Palmdale maintained adequate controls to ensure that revenues are properly recorded and deposited in a timely manner. However, Palmdale did not always prepare the bank reconciliations within 30 days of the bank statement date as required. Specifically, Palmdale did not prepare the bank reconciliation for January 2006 until March 2006. In addition, the bank reconciliations for February and March 2006 were not prepared as of May 2006.

Recommendation

- 4. Palmdale management ensure that bank reconciliations are prepared within 30 days of the bank statement date.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether Palmdale maintained appropriate documentation to support the payments made to Goodwill and that Goodwill's claimed expenditures are allowable under the County contract and accurately billed.

Verification

We interviewed Palmdale personnel and reviewed financial records and other documentation that Palmdale received from Goodwill to support eight payments made to Goodwill in December 2005, totaling \$98,740.

Results

Palmdale paid Goodwill based on the amounts on their invoices. The invoices submitted by Goodwill to Palmdale for reimbursement did not include any support, such as copies of time and attendance records, staff billing rates, travel vouchers detailing the purpose, time and location of travel, invoices to document purchases or other supporting documentation detailing the nature of services provided. The unsupported expenditures totaled \$98,740.

Recommendations**Palmdale management:**

- 5. Request Goodwill to provide appropriate documentation to support the \$98,740 in expenditures for December 2005 and reimburse DCSS for any amounts not sufficiently documented.**

6. Ensure that expenditures are supported by appropriate documentation as required by the County contract.

ADMINISTRATIVE CONTRACT COMPLIANCE

Objective

Determine whether the Palmdale complied with the administrative elements of the County contract.

Verification

We interviewed Palmdale personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Palmdale was not in compliance with County contract requirements. Specifically:

- Palmdale indicated that they do not monitor their subcontractors to ensure program services were appropriately provided and documented.
- Palmdale did not submit monthly invoices to DCSS within five business days of the month end. Specifically, Palmdale submitted their July through December 2005 invoices in March 2006.

Recommendations

Palmdale management:

7. Ensure that the subcontractor complies with contract requirements and that the expenditures were appropriate, accurately billed, and sufficiently documented.
8. Ensure that the monthly invoices are submitted within the required timeframe.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Palmdale's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and that the items are safeguarded.

We did not perform testwork in this section as City of Palmdale did not use WIA funding to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Palmdale sub-contracted with Goodwill to provide WIA program services. As a result, Goodwill incurred the programs' payroll expense for FY 2005-06. However, as reported above, the invoices that Goodwill submitted to Palmdale for reimbursement were not supported by time and attendance records and other program expenditures.

Recommendation

See recommendation #5.

COST ALLOCATION PLAN

Objective

Determine whether Palmdale's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed Palmdale's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during December 2005 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

As previously indicated, Palmdale did not maintain adequate documentation to support the expenditures billed to DCSS. As a result, we were unable to ensure that their expenditures were properly allocated to the WIA program.

Recommendation

See recommendation #5.



PALMDALE
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March 2, 2007

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Yoon Bae, CPA
Principal Accountant-Auditor
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Unit #51
Building A-9 East, First Floor
Alhambra, CA 91803

Dear Ms. Bae,

The following is the City of Palmdale's response to the program, fiscal and administrative contract audit on the Workforce Investment Act (WIA) program at the South Valley WorkSource Center. Listed are your Recommendations along with the City's correlating Responses.

Recommendations

Palmdale management:

- 1. Repay DCSS \$56 and for any other services incurred on behalf of the two ineligible individuals.**
- 2. Ensure that Goodwill maintains participant case files that contain appropriate documentation to determine the participants' eligibility for program services.**

RESPONSE: Goodwill reviewed the two case files and provided appropriate documentation ensuring participant eligibility for one of the cases. They were unable to complete the second case file because the client could not be reached due to outdated contact information. The \$56 cost relates to the second client and the City is prepared to repay DCSS upon request.

*Auxiliary aids provided for
communication accessibility*

www.cityofpalmdale.org

Recommendation

3. Palmdale management ensure that Goodwill update the JTA system to reflect the participants' activities.

RESPONSE: Goodwill provided all necessary backup documentation that demonstrated all activities listed in the JTA were up to date. Palmdale management is contracting with SBL Accountancy to provide auditing/monitoring services for the South Valley WorkSource Center that will ensure contract, fiscal and programming compliance for past, current and future fiscal years.

Recommendation

4. Palmdale management ensure that bank reconciliations are prepared within 30 days of the bank statement date.

RESPONSE: Throughout the year there were staff changes in the position that was responsible for reconciling the bank statements. The department has increased staff time that is dedicated to the reconciliation of the bank statements in order to bring them current.

Recommendations

Palmdale management:

5. Request Goodwill to provide appropriate documentation to support the \$98,740 in expenditures for December 2005 and reimburse DCSS for any amounts not sufficiently documented.

6. Ensure that expenditures are support by appropriate documentation as specified in the County contract.

RESPONSE: Palmdale management is contracting with SBL Accountancy to conduct monitoring services for the South Valley WorkSource Center to ensure that all invoices are supported by appropriate documentation and all contract requirements are met as outlined in the WIA contract. Monitoring will be ongoing including the 05-06, 06-07 and 07-08 fiscal years.

Recommendations

Palmdale management:

7. Ensure that the subcontractor complied with contract requirements and that the expenditures were appropriate, accurately billed, and sufficiently documented.

8. Ensure that the monthly invoices are submitted within the required timeframe.

RESPONSE: The subcontractor began submitting invoices in November, as the program was initiated in October. The original invoices submitted by the City were rejected by DCSS, requesting revisions, which also delayed the process.

The City is currently submitting monthly invoices within the timeframe allowed.

Palmdale management is contracting with SBL Accountancy to provide auditing/monitoring services for the South Valley WorkSource Center that will ensure contract, fiscal and programming compliance for past, current and future fiscal years.

If you have any questions regarding the submittal of the City's responses, please contact Donna Plummer, Senior Analyst at (661) 267-5166.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Williams', is written over a horizontal line.

Stephen H. Williams
City Manager

Danny Roberts, Assistant Executive Director
David Walter, Economic Development Manager
Dan Smith, Assistant Finance Director
Donna Plummer, Senior Analyst